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NEW ORLEANS REDEVELOPMENT AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/16/08

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units information of the **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2007, which collectively comprise **NORA's** basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of **NORA's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **NORA's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units information of **NORA** as of December 31, 2007, and respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2008, on our consideration of NORA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, that report contained instances of noncompliance.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information (Exhibits C and D) are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2008



NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

This report offers readers of these financial statements an overview and analysis of the financial activities of **New Orleans Redevelopment Authority (NORA)** as of and for the years ended December 31, 2007 and 2006. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in **NORA's** financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on **NORA's** current year activities, resulting changes and currently known facts.

FINANCIAL HIGHLIGHTS

NORA's assets exceeded its liabilities by \$2,087,386 and \$1,913,238 for the years ended 2007 and 2006.

NORA's total net assets increased by \$174,148 for 2007 and decreased by \$68,924 for 2006, primarily as a result of the gain on disposition of inventory of \$219,709 prior to the effect of operating transfers. For the years ended December 31, 2007 and 2006, net (expense) revenues and changes in net assets were \$(190,257) and (\$33,491) for the governmental activities. Similarly, net (expense) revenues and changes in net assets for the business type activities were \$219,734 in 2007 and \$112,007 in 2006.

At December 31, 2007 and 2006, **NORA's** governmental funds reported combined fund balances of \$808,544 and \$851,854, which reflect a decrease of \$43,310 for 2007 and an increase of \$231,051 in 2006. Of the total fund balances, \$-0- is designated for current and future projects for both 2007 and 2006, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

NORA's financial statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance **NORA's** accountability.

NEW ORLEANS REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Management's Discussion and Analysis introduces **NORA's** basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. **NORA** also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements on pages 10 and 11 are designed to be similar to private-sector business. These statements combine **NORA's** current financial resources with capital assets and long-term obligations.

The Statement of Net Assets on page 10 presents information on all of **NORA's** assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of **NORA** is improving or deteriorating.

The Statement of Activities on page 11, presents information showing how **NORA's** assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e. earned but unused vacation leave result in cash flows for future periods). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by **NORA's** grant revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services.

The governmental activities reflect **NORA's** basic services including the rehabilitation and/or removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community. The business-type activities of **NORA** reflect the development of viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income.

These services are financed primarily with grants, proceeds from sales of inventory, and other charges.

NEW ORLEANS REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types. Within the basic financial statements, fund financial statements focus on NORA's most significant funds rather than NORA as a whole. Major funds are separately reported while others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

NORA's funds can be divided into two categories: governmental funds and proprietary funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. NORA's governmental funds on pages 12 through 16 are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and accounting principles generally accepted in the United States of America.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating NORA's current financing requirements.

A budgetary comparison statement is included in the basic financial statements for the major governmental funds.

Proprietary funds on pages 17 through 19 provide the same type of information as the government-wide financial statements, only in more detail for the major enterprise funds. Individual fund information for non-major enterprise funds is found in the combining statements in a later section of this report.

The governmental major funds total column requires reconciling because of the different measurement focus which is reflected on the page following each statement (see page 16). The reconciliation incorporates long-term obligations into the government-wide statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 20 through 35 of the accompanying audit report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which can be found on pages 37 through 41 of this report. The supplementary sections are included for additional information and analysis and do not constitute a part of the basic financial statements.

Financial Analysis of NORA as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of NORA as a whole.

STATEMENT OF NET ASSETS COMPARATIVE DATA

	<u>December 31,</u>		Amount of Change
	<u>2007</u>	<u>2006</u>	Increase (Decrease)
Current and other assets	\$3,639,604	\$2,515,131	\$1,124,473
Capital assets	<u>12,360</u>	<u>12,360</u>	<u>-0-</u>
Total assets	<u>3,651,964</u>	<u>2,527,491</u>	<u>1,124,473</u>
Current liabilities	1,557,290	610,413	946,877
Noncurrent liabilities	<u>7,288</u>	<u>3,840</u>	<u>3,448</u>
Total current liabilities	<u>1,564,578</u>	<u>614,253</u>	<u>950,325</u>
Net Assets:			
Invested in capital assets	12,360	12,360	-0-
Unrestricted	<u>2,075,026</u>	<u>1,900,878</u>	<u>174,148</u>
Net assets	<u>\$2,087,386</u>	<u>\$1,913,238</u>	<u>\$ 174,148</u>

Net assets increase by 9% from 2006 to 2007. The primary causes for the change was the sales of NORA's inventory. For 2006, the change was due to the impact of Hurricane Katrina.

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

NORA's net assets at December 31, 2007 and 2006 were \$2,987,386 and \$1,913,238. Of this amount, \$12,360 and \$12,360 represents the amount invested in capital assets at December 31, 2007 and 2006. The remaining \$2,075,026 for 2007 and \$1,900,878 for 2006 are unrestricted.

NORA's major source of program revenues totaling \$1,282,719 and \$774,292 for the years ended December 31, 2007 and 2006, represent grants and/or subsidies from the City of New Orleans. For 2007 other grants were received from other organizations. The Rockefeller Foundation and Center for Urban Development. Of this amount, \$1,282,719 and \$774,292 in 2007 and 2006 are included in the governmental fund and \$-0- for each of the years ended 2007 and 2006 in the proprietary funds. NORA's proprietary funds' revenues resulted from the sales of inventory in the amount of \$352,127 in 2007 and \$347,100 in 2006. Also, included in revenues is administrative fees of \$178,150 and \$-0- in 2007 and 2006. NORA's major source of general revenues came as a result of interest income on cash investments.

Program expenses totaled \$1,847,440 for 2007 and \$1,082,697 for 2006 of which \$888,507 for 2007 and \$401,197 for 2006 were spent on salaries and employee benefits, \$269,676 in 2007 and \$235,370 in 2006 on contractual services, and \$18,285 in 2007 and \$69,263 in 2006 for land and acquisitions. These areas represent 65% and 75% respectively of total expenses. The overall change in revenues and expenses was primarily due to the impact of Hurricane Katrina on August 29, 2005, which also resulted in the evacuation of all citizens in the City of New Orleans and temporary closure of NORA's operations through early January 2006.

**STATEMENT OF ACTIVITIES COMPARATIVE DATA
FOR THE YEAR ENDED**

	<u>December 31,</u>		Amount of Change
	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Program Revenues:			
Charges for services	\$ 2,805	\$ 22,650	\$ (19,845)
Operating grants and contributions	1,282,719	774,292	508,427
Sales of inventory	<u>530,277</u>	<u>347,100</u>	<u>183,177</u>
	<u>1,815,801</u>	<u>1,144,042</u>	<u>671,759</u>
General Revenues:			
Interest income	<u>61,116</u>	<u>17,171</u>	<u>43,945</u>
Expenses:			
General Expenses	<u>1,847,440</u>	<u>1,082,697</u>	<u>764,743</u>
Change in net assets	29,477	78,516	(49,039)
Net assets, beginning of year, as restated	<u>2,057,909</u>	<u>1,834,722</u>	<u>223,187</u>
Net assets, end of year	<u>\$2,087,386</u>	<u>\$ 1,913,238</u>	<u>\$174,148</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

Financial Analysis of NORA's Funds

Governmental Funds: As discussed, the focus of NORA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing NORA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of NORA's net resources available for spending at the end of the year.

At December 31, 2007 and 2006, NORA's governmental funds reported combined fund balances of \$808,544 and \$851,854. Of these amounts, \$205,365 for both years was reserved. The fund balances are reserved to indicate that it is not available for new spending because it has already been committed to the liquidation of contracts and purchase orders.

Major Governmental Funds: The general fund is the chief operating fund of NORA. At December 31, 2007 and 2006, reserved and unreserved fund balances of the general fund was for each year \$808,544.

The Blighted Properties Administrative fund receives funding under contract with the City of New Orleans to provide rehabilitation, clearance and redevelopment of slums in blighted areas of the City of New Orleans. The fund balance always reflects a zero balance as this fund operates on a cost-reimbursement basis.

Proprietary Funds: The focus of NORA's proprietary funds is to provide the same type of information found in the government-wide financial statements, but in more detail.

Major Proprietary Funds: Unrestricted net assets at December 31, 2007 and 2006 amounted to \$1,307,640 and \$1,069,395, a change of \$238,245 and \$274,976 respectively.

Shelter Plus Care reflects no change in net assets for the years ended December 31, 2007 and 2006.

Moderate Rehabilitation Program reflects a change of \$25 and \$146 for the years ended at December 31, 2007 and 2006.

NEW ORLEANS REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis

The Real Estate Acquisition and Land Banking Mechanism reported an increase in net assets of \$111,867 and \$116,355 for 2006 and 2005, respectively reflecting its continued financial performance.

General Fund Budgetary Highlights

The general fund's original budgets for the fiscal year 2007 and 2006 were \$1,200,000 and \$826,000.

Capital Asset and Debt Administration

At December 31, 2007 and 2006, NORA had \$12,360 and \$12,360 respectively, and invested in capital assets consisting principally of land. See page 29 for detail composition of capital assets.

Economic Factors and Next Year's Budget and Rates

NORA's 2008 budget has been submitted and approved by the appropriate officials of the City of New Orleans.

Requests for Information

The report is designed to provide a general overview of NORA's finances for all those that are interested in NORA's finances. Any questions concerning any of the enclosed information in this report and/or requests for additional information should be addressed to Executive Director, New Orleans Redevelopment Authority, 1340 Poydras Street - Suite 600, New Orleans, Louisiana 70112.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Unit</u>	<u>Component Units</u>
Current Assets:				
Cash (NOTE 4)	\$ 952,968	\$ -0-	\$ 952,968	\$909
Amounts receivable (NOTE 17)	78,601	16,429	95,030	-0-
Grants receivable (NOTE 8)	1,199,644	-0-	1,199,644	-0-
Accrued interest receivable	-0-	13	13	-0-
Advance	40,000	-0-	40,000	-0-
Prepaid items	11,238	88,363	99,601	-0-
Unimproved land and structures (NOTE 6)	-0-	227,269	227,269	-0-
Due from other funds	<u>-0-</u>	<u>1,025,079</u>	<u>1,025,079</u>	<u>-0-</u>
Total current assets	<u>2,282,451</u>	<u>1,357,153</u>	<u>3,639,604</u>	<u>909</u>
Noncurrent assets:				
Capital assets, net (NOTE 5)	<u>12,360</u>	<u>-0-</u>	<u>12,360</u>	<u>-0-</u>
Total noncurrent assets	<u>12,360</u>	<u>-0-</u>	<u>12,360</u>	<u>-0-</u>
Total assets	<u>2,294,811</u>	<u>1,357,153</u>	<u>3,651,964</u>	<u>909</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Amounts payable	24,455	6,776	31,231	-0-
Deposits held for buyers (NOTE 15)	-0-	42,737	42,737	-0-
Deferred revenues	221,839	-0-	221,839	-0-
Due to other funds	1,025,079	-0-	1,025,079	-0-
Due to primary government	214,894	-0-	214,894	10,799
Compensated absences payable (NOTE 14)	21,510	-0-	21,510	-0-
Advances from AFLCIO Investment Trust	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>59,849</u>
Total current liabilities	<u>1,507,777</u>	<u>49,513</u>	<u>1,557,290</u>	<u>70,648</u>
Noncurrent liabilities:				
Compensated absences payable (NOTE 14)	<u>7,288</u>	<u>-0-</u>	<u>7,288</u>	<u>-0-</u>
Total noncurrent liabilities	<u>7,288</u>	<u>-0-</u>	<u>7,288</u>	<u>-0-</u>
Total liabilities	<u>1,515,065</u>	<u>49,513</u>	<u>1,564,578</u>	<u>-0-</u>
Net Assets:				
Invested in capital assets, net of related debt (NOTE 5)	12,360	-0-	12,360	-0-
Unrestricted	<u>767,386</u>	<u>1,307,640</u>	<u>2,075,026</u>	<u>(69,739)</u>
Total net assets (deficit)	<u>\$ 779,746</u>	<u>\$1,307,640</u>	<u>\$2,087,386</u>	<u>\$(69,739)</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES NET ASSETS			Total Primary Unit	Component Units
	Expenses	Charges for Services	Grants/ Contributions	Governmental Activities	Business Type Activities			
Governmental Activities:								
Blighted Properties Removal Program	\$1,355,744	\$ -0-	\$1,273,887	\$ (81,857)	\$ -0-	\$ (81,857)	\$	-0-
Neighborhood Housing Improvement Fund	172,296	2,805	-0-	(169,491)	-0-	(169,491)		-0-
General Fund	<u>8,832</u>	<u>-0-</u>	<u>8,832</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>		<u>-0-</u>
Total governmental activities	<u>\$1,536,872</u>	<u>\$ 2,805</u>	<u>\$1,282,719</u>	<u>(251,348)</u>	<u>-0-</u>	<u>(251,348)</u>		<u>-0-</u>
Business-type Activities:								
Real Estate Acquisition and Land Banking Mechanism	\$ 310,568	\$530,277	\$ -0-	-0-	219,709	219,709		-0-
Total business-type activities	<u>\$ 310,568</u>	<u>\$530,277</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>219,709</u>	<u>219,709</u>	\$	<u>-0-</u>
Component Units:								
Building New Orleans CDE	\$ (109,745)	\$ 40,000	\$ -0-	-0-	-0-	-0-		(69,745)
Total	<u>\$ (109,745)</u>	<u>\$ 40,000</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>		<u>(69,745)</u>
General Revenues:								
Interest income				61,091	25	61,116		6
Total general revenues				<u>61,091</u>	<u>25</u>	<u>61,116</u>		<u>6</u>
Change in net assets				(190,257)	219,734	29,477		(69,739)
Net assets, beginning of year, as restated (NOTE18)				970,003	1,087,906	2,057,909		-0-
Net assets (deficit), end of year				<u>\$ 779,746</u>	<u>\$1,307,640</u>	<u>\$2,087,386</u>		<u>\$(69,739)</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2007

ASSETS

GOVERNMENTAL FUNDS

	<u>General Fund</u>	<u>Blighted Properties Administrative Fund</u>	<u>Neighborhood Housing Improvement Fund</u>	<u>Total</u>
Cash	\$ -0-	\$ 477,715	\$566,966	\$1,044,681
Amounts receivable, net	57,102	20,451	1,048	78,601
Advance	40,000	-0-	-0-	40,000
Prepaid items	-0-	11,238	-0-	11,238
Grants receivable	-0-	1,199,644	-0-	1,199,644
Due from other funds	2,593,800	935,343	92,383	3,621,526
Land and improvements	<u>12,360</u>	<u>-0-</u>	<u>-0-</u>	<u>12,360</u>
Total assets	<u>\$2,703,262</u>	<u>\$2,644,391</u>	<u>\$660,397</u>	<u>\$6,008,050</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS, CONTINUED
DECEMBER 31, 2007

LIABILITIES AND FUND BALANCES

GOVERNMENTAL FUNDS

	<u>General Fund</u>	<u>Blighted Properties Administrative Fund</u>	<u>Neighborhood Housing Improvement Fund</u>	<u>Total</u>
Liabilities:				
Bank overdraft	\$ 91,713	\$ -0-	\$ -0-	\$ 91,713
Advances--City of New Orleans	9,783	-0-	-0-	9,783
Amounts payable	-0-	390	-0-	390
Due to other funds	1,614,668	2,371,540	660,397	4,646,605
Salaries payable	-0-	24,065	-0-	24,065
Deferred revenues	-0-	221,839	-0-	221,839
Due to City of New Orleans	<u>178,554</u>	<u>26,557</u>	<u>-0-</u>	<u>205,111</u>
Total liabilities	<u>1,894,718</u>	<u>2,644,391</u>	<u>660,397</u>	<u>5,199,506</u>
Fund balances:				
Unreserved	603,179	-0-	-0-	603,179
Reserved (NOTE 7)	<u>205,365</u>	<u>-0-</u>	<u>-0-</u>	<u>205,365</u>
Total fund balances	<u>808,544</u>	<u>-0-</u>	<u>-0-</u>	<u>808,544</u>
Total liabilities and fund balances	<u>\$2,703,262</u>	<u>\$2,644,391</u>	<u>\$660,397</u>	<u>\$6,008,050</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Amounts reported for governmental activities in
Statement of Activities are different because:

Total fund balances – governmental funds	\$808,544
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(28,798)</u>
Net assets of governmental activities	<u>\$779,746</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>GOVERNMENTAL FUNDS</u>				
	<u>General Fund</u>	<u>Blighted Properties Administrative Fund</u>	<u>Neighborhood Housing Improvement Fund</u>	<u>Total</u>
Revenues:				
Grants - City of New Orleans	\$ -0-	\$1,199,644	\$ -0-	\$1,199,644
Grants - Rockefeller	-0-	7,219	-0-	7,219
Grants-Center for Urban Redevelopment	-0-	67,024	-0-	67,024
Interest income	-0-	-	61,091	61,091
Other income	<u>8,832</u>	<u>-0-</u>	<u>2,805</u>	<u>11,637</u>
Total revenues	<u>8,832</u>	<u>1,273,887</u>	<u>63,896</u>	<u>1,346,615</u>
Expenditures:				
Salaries and employee benefits	-0-	879,094	9,413	888,507
Convention and travel	-0-	-0-	16,260	16,260
Advertisement	-0-	-0-	18,014	18,014
Repairs and maintenance	-0-	-0-	6,609	6,609
Contractual services	-0-	237,228	32,448	269,676
Land Acquisitions	-0-	-0-	18,285	18,285
Supplies	-0-	-0-	18,530	18,530
Telephone	-0-	29,225	875	30,100
Automobile expenses	-0-	21,315	4,923	26,238
Postage and printing	-0-	10,373	-0-	10,373
Insurance	-0-	27,642	4,571	32,213
Interest expense	-0-	-0-	176	176
Office furniture & equipment	-0-	30,181	602	30,783
Rent	-0-	91,888	31,575	123,463
Meals & entertainment	-0-	-0-	5,764	5,764
Other	<u>8,832</u>	<u>-0-</u>	<u>4,251</u>	<u>13,083</u>
Total expenditures	<u>8,832</u>	<u>1,326,946</u>	<u>172,296</u>	<u>1,508,074</u>
Excess (deficiency) of revenues over (under) expenditures before financing sources (Uses):	<u>-0-</u>	<u>(53,059)</u>	<u>(108,400)</u>	<u>(161,459)</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>-0-</u>	<u>53,059</u>	<u>65,090</u>	<u>118,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-0-</u>	<u>-0-</u>	<u>(43,310)</u>	<u>(43,310)</u>
Net change in fund balances	<u>-0-</u>	<u>-0-</u>	<u>(43,310)</u>	<u>(43,310)</u>
Fund balances, beginning of year	<u>808,544</u>	<u>-0-</u>	<u>43,310</u>	<u>851,854</u>
Fund balances, end of year	<u>\$808,544</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 808,544</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in
Statement of Activities are different because:

Net change in fund balances	\$ (43,310)
Transfers in	(118,419)
Compensated absences payable are not due and payable in the current period and therefore not reported in the funds	<u>(28,798)</u>
Change in net assets	<u><u>\$(190,257)</u></u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS--PROPRIETARY FUNDS
DECEMBER 31, 2007

ASSETS

	<u>Business-type Activities -- Enterprise Funds</u>			
	<u>Shelter Plus Care</u>	<u>Moderate Rehabilitation Program</u>	<u>Real Estate Acquisition And Land Banking Mechanism</u>	<u>Total</u>
Current Assets:				
Cash	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Amounts receivable	-0-	1,000	15,429	16,429
Accrued interest receivable	13	-0-	-0-	13
Prepaid items	1	112	88,250	88,363
Unimproved land and structures	-0-	-0-	227,269	227,269
Due from other funds	<u>16,289</u>	<u>1,883</u>	<u>1,062,596</u>	<u>1,080,768</u>
Total current assets	<u>16,303</u>	<u>2,995</u>	<u>1,393,544</u>	<u>1,412,842</u>
Total assets	<u>16,303</u>	<u>2,995</u>	<u>1,393,544</u>	<u>1,412,842</u>

LIABILITIES AND NET ASSETS

Current Liabilities:				
Deposits held for buyers	-0-	-0-	42,737	42,737
Amounts and other payable	756	-0-	6,020	6,776
Due to other funds	<u>3,046</u>	<u>2,824</u>	<u>49,819</u>	<u>55,689</u>
Total current liabilities	<u>3,802</u>	<u>2,824</u>	<u>98,576</u>	<u>105,202</u>
Net Assets:				
Unrestricted net assets	<u>12,501</u>	<u>171</u>	<u>1,294,968</u>	<u>1,307,640</u>
Total net assets	<u>\$12,501</u>	<u>\$ 171</u>	<u>\$1,294,968</u>	<u>\$1,307,640</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-type Activities-Enterprise Funds</u>			
	<u>Shelter Plus Care</u>	<u>Moderate Rehabilitation Program</u>	<u>Real Estate Acquisition And Land Banking Mechanism</u>	<u>Total</u>
Operating Revenues:				
Sales of inventory	\$ -0-	\$ -0-	\$ 352,127	\$ 352,127
Administrative fees	<u>-0-</u>	<u>-0-</u>	<u>178,150</u>	<u>178,150</u>
Total operating revenues	<u>-0-</u>	<u>-0-</u>	<u>530,277</u>	<u>530,277</u>
Operating Expenses:				
Cost of inventory	-0-	-0-	144,419	144,419
Repairs and maintenance	<u>-0-</u>	<u>-0-</u>	<u>48,000</u>	<u>48,000</u>
Total operating expenses	<u>-0-</u>	<u>-0-</u>	<u>192,419</u>	<u>192,419</u>
Operating income	<u>-0-</u>	<u>-0-</u>	<u>337,858</u>	<u>337,858</u>
Non-operating revenues:				
Interest income	<u>-0-</u>	<u>25</u>	<u>-0-</u>	<u>25</u>
Total non-operating revenues	<u>-0-</u>	<u>25</u>	<u>-0-</u>	<u>25</u>
Non-operating Expenses:				
Transfers out	<u>-0-</u>	<u>-0-</u>	<u>(118,149)</u>	<u>(118,149)</u>
Total non-operating expenses	<u>-0-</u>	<u>-0-</u>	<u>(118,149)</u>	<u>(118,149)</u>
Change in net assets	<u>-0-</u>	<u>25</u>	<u>219,709</u>	<u>219,734</u>
Net assets, beginning of year	12,501	146	1,056,748	1,069,395
Adjustments to beginning net assets	<u>-0-</u>	<u>-0-</u>	<u>18,511</u>	<u>18,511</u>
Net assets, beginning of year, as restated	<u>12,501</u>	<u>146</u>	<u>1,075,259</u>	<u>1,087,906</u>
Total net assets, end of year	<u>\$12,501</u>	<u>\$171</u>	<u>\$1,294,968</u>	<u>\$1,307,640</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash Flows Used by Operating Activities:	
Receipts from sales of inventory	\$ 352,127
Receipt from others	178,150
Purchase of inventory	(843,465)
Payments to vendors	<u>(48,000)</u>
Net cash used by operating activities	<u>(361,188)</u>
Decrease in cash	(361,188)
Cash, beginning of year	<u>361,188</u>
Cash, end of year	<u>\$ -0-</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	337,883
Operating transfers to other programs, net	(99,638)
Changes in assets and liabilities:	
Decrease in prepaid acquisition costs	
Decrease in unimproved land inventory	437,631
Increase in due from other funds	(351,321)
Decrease in due to other funds	(497,937)
Increase in prepaid items	(88,250)
Decrease in amounts receivable	19,198
Decrease in deposits held for buyers, net	(124,774)
Increase in amounts and other payable	<u>6,020</u>
Net cash used by operating activities	<u>\$(361,188)</u>

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Background and General Data:

Background

The **New Orleans Redevelopment Authority (NORA)** exists under the authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968. **NORA** was formulated as a program by the City of New Orleans for the utilization of appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the creation and organization of a community improvement agency; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans in accordance with community improvement plans or projects approved by the governing body of the City of New Orleans; to define the duties, liabilities, exemptions, authority and functions of such community improvement agency, including the acquisition of property by negotiation, gift or expropriation, the disposition of property by sale or lease, the issuance of bonds, borrowing of money and giving of security therefore and to allow bonds issued to be legal investments for banks and fiduciaries; to provide for notice and hearing; to authorize entering into agreements to secure Federal aid; to authorize public bodies to furnish funds, services, facilities and property in aid of community improvement projects and related activities hereunder; and to provide that securities issued and properties while held by the **New Orleans Redevelopment Authority** shall be exempt from taxation.

On July 7, 1994, the Louisiana Legislature passed Act No. 65 which amended Act No. 170 that created the **New Orleans Redevelopment Authority**. Act No. 65 effectively changed the name of the Community Improvement Agency to **New Orleans Redevelopment Authority**. In addition, the Board of Commissioners also adopted a resolution approving the name change.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General

As of December 31, 2007, NORA was primarily engaged in the following programs:

- Blighted Property Removal Program
- Neighborhood Housing Improvement Fund
- Shelter Plus Care Program
- Real Estate Acquisition and Land Building Mechanism (REALM)

New Orleans Redevelopment Authority under a contract with the City of New Orleans provides technical assistance in connection with the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large.

A brief description of each program follows:

- Blighted Property Removal Program and Neighborhood Housing Improvement Fund

The Blighted Property Removal Program and the Neighborhood Housing Improvement Fund are designed to provide for the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community.

The program provides for technical assistance and/or financial assistance for rehabilitation, as may be available, to the existing property owner. The program is administered by NORA under contract with the City of New Orleans.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General, Continued

- Shelter Plus Care Program

The Shelter Plus Care Program is designed to develop viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income. The program's fiscal aspect is administered by NORA under contract with the City of New Orleans. For 2007, NORA had no contract obligation with the City of New Orleans.

- Real Estate Acquisition and Land Banking Mechanism

The REALM program is designed to provide a mechanism for the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property to allow for a greater impact on blight and community redevelopment.

NOTE 2 - Summary of Significant Accounting Policies:

General Fund

The general fund is used by NORA to account for all financial activities or resources that are not budgeted for in other funds.

Financial Reporting Entity

NORA exist under the Authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968 and subsequently amended by Act No. 65, passed in 1994. NORA has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the City of New Orleans.

Government Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*" established standards for defining and reporting on the financial entity.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Financial Reporting Entity, Continued

GASB 14 and its related amendment GASB 39 indicate that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

NORA was established as a separate, legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14. Accordingly, management has concluded that **NORA** is a financial reporting entity within the meaning of the provisions of GASB 14.

Based on the requirements of GASB's 14 and 39, **NORA** has included the following component units in the financial reporting entity:

NORA formed in 2004 a 501(c)3 organization **NORA Unlimited, Inc.** to utilize appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans to include, but not limited to community improvement plans or projects approved by the governing body of the City of New Orleans; and to acquire property by negotiation, or gift, and the disposition of property by sale, lease, or gift. To own real estate, to buy or sell, develop or lease, and generally handle, movable and immovable property of every nature and kind.

Also, in 2005, **NORA** formed a limited liability company **NORA Community Capital, LLC** for the primary purpose of serving the low income communities and the Orleans Parish; and providing investment capital to low income persons in Orleans Parish; and the component units financial statements have been included in **NORA's** financial statements in a discrete presentation.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Financial Reporting Entity, Continued

On January 10, 2007, NORA partnered with another entity and formed Building New Orleans CDE, Inc. a Delaware non-profit organization. The mission of Building New Orleans, CDE, Inc. is exclusively for charitable purposes to include lessening the burdens of government, and erection or maintenance of public buildings, monuments, or work, within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

Basis of Presentation

NORA's basic financial statements consist of the government-wide statements of the primary government and its component units and the fund financial statements (individual major fund and combined nonmajor fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of NORA. The effect of interfund activity has been removed from these statements.

NORA's statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who use or directly benefit from services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items are properly included among program revenues or reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements, Continued

NORA reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Blighted Properties Administrative/Neighborhood Housing Improvement Fund Program is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes regarding the rehabilitation and/or demolition and removal of blight in the City of New Orleans.

NORA reports the following major proprietary funds:

The Shelter Plus Care Program accounts for the activities of **NORA** in providing housing assistance payments on behalf of eligible families leasing from owners of property.

The Realm Program accounts for activities related to the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements, Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a propriety fund's principal ongoing operations. The principal operating revenues of NORA's enterprise fund are charges to customers for services and sales of inventory of land. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the provisions of GASB 33 Standards (Accounting and Financial Reporting for Non-Exchange Transactions), NORA recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- NORA recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenue and expenditures are recognized when all applicable eligibility requirements are met; and
- Transactions with time requirements, resources received prior to the satisfaction of the time requirement(s), are recorded by NORA as deferred revenue upon award.

Statement of Cash flows

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with an original maturity of ninety (90) days or less when purchased to be cash equivalents.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Capital Assets

Capital assets include, land and equipment and are recorded at cost when the individual cost exceeds \$500. When no historical records are available, land and equipment are valued at estimated historical cost. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. In addition, costs associated with certain property acquired with CDBG funds received from the City of New Orleans are reflected as program costs to the respective programs. The property inventory is accounted for by the City of New Orleans.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not included in or capitalized in the proprietary fund. Equipment in the proprietary fund of **NORA** is recorded at cost.

Capital assets are depreciated in the proprietary fund of **NORA** using the straight-line method over a five (5) year estimated useful life. At December 31, 2006, equipment in the proprietary fund in an amount of \$26,455 is fully depreciated.

Inventory

Inventory is recorded at cost and represent cost incurred in the acquisition of blighted properties. Gain or loss resulting from the sale of the related properties is reflected in income in the period of sale.

Compensated Absences

NORA follows Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Budgetary Data

NORA does not formally adopt or utilize a budget for its General Fund. Budgetary data for its Blighted Properties Administrative program is submitted to and approved annually by the applicable funding sources of NORA.

Because the budgets in the Special Revenue Funds are prepared on an accrual basis, no differences in budget basis and GAAP basis occur for those funds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 3 - Post-retirement Benefits:

In 2007, NORA provided benefit premiums to the State of Louisiana, Office of Group Benefits totaling \$48,670.98. Of the \$48,670.98 NORA provided coverage for Ms. Madeline Leon totaling \$9,174.44.

NORA will continue to provide health care and life insurance benefits for its retired employees that have reached retirement age while working for NORA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Cash:

At December 31, 2007, the carrying amount of **NORA's** deposits was \$952,968 and the cumulative bank balance was \$1,552,054. The cumulative collected bank balance is covered by federal depository insurance. Custodial credit risk, is the risk that in the event of a failure by the financial institution, **NORA's** deposits may not be returned to it. **NORA** has no deposit policy for custodial credit risk; however, at December 31, 2007, none of **NORA's** bank balances were exposed to custodial risk. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent. These securities are held by the fiscal agent bank in the name of **NORA**.

NOTE 5 - Capital Assets, Net:

As of December 31, 2007, capital assets consisted of the following:

	Balance January 1, <u>2006</u>	<u>Additions</u>	Balance December 31, <u>2006</u>
Land	\$ 12,360	\$ -0-	\$ 12,360
Equipment	<u>26,455</u>	<u>8,832</u>	<u>35,287</u>
Sub-total	38,815	8,832	47,647
Less:			
accumulated depreciation	<u>(26,455)</u>	<u>(8,832)</u>	<u>(35,287)</u>
Total	<u>\$ 12,360</u>	<u>\$ -0-</u>	<u>\$ 12,360</u>

NOTE 6 - Unimproved Land and Structures:

At December 31, 2007, **NORA's** inventory balance consisted of costs associated in the acquisition of property by expropriation and held for resale in accordance with its efforts to rehabilitate, clear, and redevelop slum and blighted areas. See NOTE 14 for additional discussion on line of credit collateralized with the inventory of unimproved land and structures.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Reserved Fund Balance:

The reserved fund balance represents residual funds from completed projects. The fund primarily consists of deposits on land for Project A-2; retainage for contract work; relocation funds; and annual leave accrued for employees under the Comprehensive Employment Training Act. At December 31, 2007, no final determination has been made regarding the disposition of the funds.

NOTE 8 - Grants Receivable:

At December 31, 2007, grants receivable consists of \$1,199,644 due from the City of New Orleans to reimburse **NORA** for cost incurred on behalf of the Blighted Properties Administrative Program.

NOTE 9 - Leases:

NORA leases vehicles and equipment under operating leases. Total cost of such leases was \$20,953 for the year ended December 31, 2007. The future minimum lease payments for leases for the five years (5) are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 24,508
2009	24,508
2010	24,508
2011	24,508
2012	<u>24,508</u>
Total	<u>\$122,540</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Retirement System:

Plan Description

NORA participates in a single-employer qualified defined benefit pension and retirement plan under Section 401(a) of the Internal Revenue Code operated by the Louisiana State Employees' Retirement System (LASERS). Membership in LASERS is mandatory for all State employees whose agency is a LASERS participant except those excluded by law.

LASERS is a public trust fund created by Act of Louisiana Legislature in 1946 to provide retirement allowances and other benefits to State officers and employees and their beneficiaries.

Plan Funding

Funding for the system comes from these sources: employee's contribution which was 7.5% through June 30, 2007 and 8% for employees hired effective July 2006, of earned compensation, employer's contribution which is currently 19.1%, and earnings from investments. For the year ended December 31, 2007, **NORA's** pension cost was \$79,186.

Information on the plan can be obtained at the following address:

Louisiana State Employees Retirement System
8401 United Plaza Blvd.
Baton Rouge, LA 70804-4213
Telephone: (800) 256-3000
FAX: (225) 922-0614
Website: lasers.state.la.us

Most recent historical trend information showing the plans progress in accumulating sufficient assets to pay benefits when due is presented in the plan's annual financial report. This report is subject to an audit by independent auditors who issue separate reports thereon.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Retirement System, Continued:

Plan Description, Continued

The following summarizes selected information on the entire LASERS plan:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (Value at Midyear)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ <u>404,460,067</u>	<u>100.9 %</u>	\$ <u>31,552,169</u>
2006	\$ <u>415,185,175</u>	<u>94.9 %</u>	\$ <u>52,629,148</u>
2007	\$ <u>420,366,617</u>	<u>100.4 %</u>	\$ <u>51,096,083</u>

In accordance with GASB No.27, the components of the annual pension cost and net pension obligation to LASERS at midyear are as follows:

Actuarial required contribution	\$ 434,796,738
Interest on net pension obligation and adjustment to annual required contribution	<u>(14,430,119)</u>
Annual pension cost-interest adjusted to end of year	420,366,619
Contributions made	<u>(421,899,682)</u>
Decrease in net pension obligation	(1,533,063)
Net pension obligation, beginning of year	<u>52,629,148</u>
Net pension obligation, end of year	\$ <u>51,096,083</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Risk Management:

NORA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which **NORA** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 12 - Concentration of Credit Risk:

NORA receives primarily all of its revenues from the City of New Orleans as a pass-through grant from the U.S. Department of Housing and Urban Development. If the amount of revenues received from the City of New Orleans falls below contract levels, **NORA's** operating results could be adversely affected.

NOTE 13 - Contingencies:

NORA is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to **NORA**. These examinations may result in required refunds by **NORA** to agencies and/or program beneficiaries.

NOTE 14 - Changes in Compensated Absences:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Beginning	\$ 4,171	\$3,840	\$ 8,011
Addition	21,179	3,448	24,627
Retirement	<u>(3,840)</u>	<u>-0-</u>	<u>(3,840)</u>
Ending	<u>\$ 21,510</u>	<u>\$7,288</u>	<u>\$28,798</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - Deposits Held for Buyers:

NORA's did not have a line of credit for 2007.

NOTE 16 - Per Diem for Board of Commissioners:

During the year ended December 31, 2007, no board member received per diem in his/her capacity as a Commissioner.

NOTE 17 - Amounts receivable

At December 31, 2007, amounts receivable consisted of the following:

	<u>General Fund</u>	<u>Blighted Properties Administrative/ NHIF Funds</u>	<u>Moderate Rehabilitation Program/ Real Estate Acquisition and Land Banking Mechanism</u>	<u>Total</u>
City of New Orleans	\$54,680	\$ 6,855	\$ -0-	\$61,535
Other	<u>2,422</u>	<u>14,644</u>	<u>16,429</u>	<u>33,495</u>
Total	<u>\$57,102</u>	<u>\$ 21,499</u>	<u>\$16,429</u>	<u>\$95,030</u>

NOTE 18 - Adjustment to Beginning Net Assets:

Adjustment to beginning net assets is to properly state the effect of various transactions within the governmental and business-type activities.

NOTE 19 - Subsequent Events:

Subsequent to year-end, NORA has been awarded and received commitments from the City of New Orleans and other sources (both public and private) for funding to include lines of credit totaling approximately \$10,000,000 for 2008.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Our report on our audit of the financial statements of the **New Orleans Redevelopment Authority (NORA)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations"* and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The supplementary information (Exhibits A, B, C and D) which is prepared in accordance with accounting principles generally accepted in the United States of America, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2008

EXHIBIT A

**NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET--GENERAL FUND
DECEMBER 31, 2007**

	<u>General Fund</u>	<u>Revolving Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Advance	\$ 40,000	\$ -0-	\$ 40,000
Amounts receivable	57,102	-0-	57,102
Due from other funds	2,065,554	528,246	2,593,800
Land and improvements	<u>12,360</u>	<u>-0-</u>	<u>12,360</u>
Total assets	<u>2,175,016</u>	<u>528,246</u>	<u>2,703,262</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Bank overdraft	\$ -0-	91,713	91,713
Advances-- City of New Orleans	9,783	-0-	9,783
Due to other funds	1,311,972	302,696	1,614,668
Due to City of New Orleans	<u>44,717</u>	<u>133,837</u>	<u>178,554</u>
Total liabilities	1,366,472	528,246	1,894,718
<u>Fund balances</u>			
Unreserved	603,179	-0-	603,179
Reserved	<u>205,365</u>	<u>-0-</u>	<u>205,365</u>
Total fund balances	<u>808,544</u>	<u>-0-</u>	<u>808,544</u>
Total liabilities and fund balances	<u>\$2,175,016</u>	<u>\$528,246</u>	<u>\$2,703,262</u>

See Independent Auditors' Report on Supplementary Information.

EXHIBIT B

**NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General Fund</u>	<u>Revolving Fund</u>	<u>Totals</u>
<u>Revenues</u>			
Total revenues	\$ <u>(8,832)</u>	<u>-0-</u>	\$ <u>(8,832)</u>
<u>Expenditures</u>			
Total expenditures	<u>8,832</u>	<u>-0-</u>	<u>8,832</u>
Net change in fund balance	-0-	-0-	-0-
Fund balance, beginning of year	<u>808,544</u>	<u>-0-</u>	<u>808,544</u>
Fund balance, end of year	<u>\$808,544</u>	<u>\$ -0-</u>	<u>\$808,544</u>

See Independent Auditors' Report on Supplementary Information.

EXHIBIT C

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND--
BUDGETED AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Interest income	\$ -0-	\$ -0-	\$ -0-
Other income	<u>(8,832)</u>	<u>(8,832)</u>	<u>-0-</u>
Total revenues	<u>(8,832)</u>	<u>(8,832)</u>	<u>-0-</u>
<u>Expenditures</u>			
Total expenditures	<u>8,832</u>	<u>8,832</u>	<u>-0-</u>
Net change in fund balance	-0-	-0-	\$ <u>-0-</u>
Fund balance, beginning of year, as restated	<u>808,544</u>	<u>808,544</u>	
Fund balance, end of year	<u>\$808,544</u>	<u>\$808,544</u>	

See Independent Auditors' Report and Supplemental Information.

EXHIBIT D

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
BLIGHTED PROPERTIES ADMINISTRATIVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Final</u>	<u>Amounts</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Grants				
Grants	\$1,200,000	\$1,200,000	\$1,199,644	\$ (356)
Total revenues	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,199,644</u>	<u>(356)</u>
<u>Expenditures</u>				
Salaries and employee benefits	754,846	754,147	754,147	-0-
Contractual services	405,654	406,694	406,338	356
Equipment and property	29,500	30,181	30,181	-0-
Supplies and materials	<u>10,000</u>	<u>8,978</u>	<u>8,978</u>	<u>-0-</u>
Total expenditures	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,199,644</u>	<u>356</u>
Net change in fund balance	-0-	-0-	-0-	\$ <u>-0-</u>
Fund balance, beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Fund balance, end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	

See Independent Auditors' Report on Supplementary Information.

SCHEDULE I

NEW ORLEANS REDEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Program Grantor/Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Federal Expenditures</u>
PROGRAMS FUNDED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass Through CDBG Funds as Subgrantee of the City of New Orleans:			
Blighted Properties Administrative Fund		14.218	\$1,199,644
Total passed through funds			1,199,644
Total all programs			\$1,199,644

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal activity of NORA and is presented on a modified accrual basis of accounting. The information on this schedule is presented in accordance with other requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."

See Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2007, and have issued our report thereon dated June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NORA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of NORA's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of NORA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the following paragraph, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting, Continued

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects NORA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of NORA's financial statements that is more than inconsequential will not be prevented or detected by NORA's internal control. We consider the deficiency described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2007-01 to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by NORA's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies previously described is a material weakness.

Also, we noted other matters involving internal control over financial reporting that we have reported to management of NORA in a separate letter dated June 30, 2008.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NORA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2007-02 through 2007-05.

NORA's response to the findings identified in our audit are described in the accompanying Summary Schedule of Finding and Questioned Costs. We did not audit NORA's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana and the City of New Orleans and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2008



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Compliance

We have audited the compliance of **New Orleans Redevelopment Authority (NORA)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. **NORA's** major federal program is identified in the Summary of Auditor's Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of **NORA's** management. Our responsibility is to express an opinion on **NORA's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements previously referred to that could have a direct and material effect on a major federal program occurred.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Compliance, Continued

An audit includes examining, on a test basis, evidence about NORA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on NORA's compliance with those requirements.

In our opinion, NORA complied, in all material respects, with the requirements previously referred to that are applicable to its major federal program for the year ended December 31, 2007. However, the results of our auditing procedures disclosed instances of non compliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2007-02 through 2007-04.

Internal Control Over Compliance

The management of NORA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered NORA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NORA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in NORA's internal control that might be significant deficiencies or material weaknesses as defined in the fourth paragraph. However, as discussed in the next paragraph, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

A control deficiency in NORA's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the NORA's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by NORA's internal control. We consider the deficiency in internal control over compliance described in the accompanying Summary Schedule of Findings and Questions Costs as item 2007-05 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by NORA's internal control. However, we believe that the deficiency described in the accompanying Summary Schedule of Findings and Questioned Costs is not a material weakness.

NORA's response to the findings identified in our audit are described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption "Management's Response" and "Current Status". We did not audit NORA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana, and the City of New Orleans and is not intended to, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2008

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Control deficiency (ies) identified
that are not considered to be material
weaknesses? Yes

Noncompliance material to financial
statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Control deficiency (ies) identified
that are not considered to be
material weakness(es)? Yes

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? Yes

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Blighted Properties Removal Program (CDBG)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2007-01

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Criteria

Management of **NORA** is responsible for the implementation of a design and operation of internal control to safeguard and protect the assets of **NORA**.

Furthermore, **NORA** is responsible for the preparation of complete and accurate financial statements to include the required disclosures.

Condition

While **NORA** continues to expand its financial support team, it is imperative that the required policies and procedures developed be fully implemented to ensure the adequate protection and safeguarding of **NORA's** assets. This condition should be achieved through adequate segregation of custodial and recordation functions as well as the appropriate level of supervisory oversight of the accounting and financial reporting processes. In November 2007, **NORA** hired a full-time accountant and in recent months an administrative assistant for the finance section.

Questioned Costs

None.

Context

The federal award for the Community Development Activities Program was \$1,199,644 for the year ended December 31, 2007.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2007-01

Effect or Potential Effect

Inadequate protection and safeguarding of NORA's assets.

Cause

Transitional phase of the finance department of NORA.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to build-up its human resources, greater emphasis should be placed on its accounting and financial reporting processes.

Management's Response

During 2007, NORA expanded its management team to include a Director of Finance and Administration for half the year as well as a full-time senior level accountant for the last month of the year. The policies, procedures and dereliction of duties are currently under review to ensure that there is a healthy system of checks and balances as well as adequate protection and safeguarding of NORA's assets. NORA's management anticipates completion of the review no later than August 31, 2008.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III - Federal Award Findings and Questioned Costs

Reference Number

2007-02

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to the requirements of the contractual agreement between NORA and the City of New Orleans, NORA is required to among other responsibilities, to attend technical assistance workshop.

Condition

During the year ended December 31, 2007, we noted no evidence to support compliance with the technical assistance workshop attendance component of NORA's contract with the City of New Orleans.

It is our understanding through discussion with management of NORA that the noncompliance was due to the unavailability of technical workshops during 2007.

Questioned Costs

None.

Context

The federal award for the Community Development Activities Program for the year ended December 31, 2007 was \$1,199,644.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2007-02

Effect or Potential Effect

Non-compliance with the contractual agreement with the City of New Orleans.

Cause

Transitional phase of NORA during 2007.

Recommendation

Continued compliance with all requirements of its contract with the City of New Orleans.

Management's Response

In 2007, NORA's management staff was unaware of any technical workshop availability. NORA's management will contact the City of New Orleans on a quarterly basis to confirm the availability of any technical workshops.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2007-03

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Criteria

Section II - Compensation Method of Payment. The contract agreement between **NORA** and the City of New Orleans acknowledges that the contract is on a cost reimbursable basis based on actual and accrued expenses.

Also, the contract dictates that all funds shall be used exclusively for the purpose described in the contract. Finally, **NORA** is required to provide to the City of New Orleans, a copy of its cost statement by the fifth (5th) working day of each month.

Condition

Based on our review of the August and December 2007 cost reports submitted to the City of New Orleans, we noted the following:

- The December 2007 cost report needs to be restated as a result of an audit adjustment for \$356 representing an overstatement in expenses charged to the CDBG grant in 2007. The line item overstatement did not result in a change in **NORA's** total grant award amount of \$1,200,000 for 2007.
- Our review of selected cash disbursements revealed an instance where cost incurred was inadvertently misclassified on the cost report submitted to the City of New Orleans. It should be noted that the misclassification did not result in a variance of the total grant award for 2007 of \$1,200,000.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2007-03

Questioned Costs

None.

Context

The federal award for the Community Development Activities Program for the year ended December 31, 2007 was \$1,199,644.

Effect or Potential Effect

Noncompliance with its contract with the City of New Orleans.

Recommendation

Management should revisit with its current processes with an aim towards ensuring completeness of all reports submitted.

Management's Response

With the expansion NORA management and the Finance Department, a detailed review of the cost control statements by upper management and staff is currently being enforced. In addition, in keeping with their commitment to improve internal controls and safeguarding of NORA's assets, management recommended to the Finance Committee that NORA hire an outside CPA to review the policies, procedures, internal controls and financial statements on a quarterly basis. The Finance Committee approved the recommendation and the motion was carried unanimously by the Board of Commissioners. NORA's management anticipates a resolution no later than September 30, 2008.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2007-04

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Criteria

The Agreement with the City of New Orleans requires that NORA uses the City's established procurement thresholds and processes.

Condition

In our review of selected transactions, we noted the absence of the three (3) bids as required in the procurement of various items.

It is our understanding through discussion with management that the necessary bids were solicited. However, management is unable to locate the documents to evidence compliance with the referenced bid solicitation requirement.

Questioned Costs

None.

Context

The federal award for the Community Development Activities Program for the year ended December 31, 2007 was \$1,199,644.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2007-04

Effect and Potential Effect

Noncompliance with the bid requirements as dictated by the City of New Orleans' contract.

Cause

Inadequate filing system to include transitional changes during 2007.

Recommendation

An effective filing system that ensures the integrity of all documents to support NORA's financial transactions.

Management's Response

In 2007, NORA moved into a new location. During the expansion and transition into a new office, the file that contained the required bids was misplaced. NORA has expanded its Finance Department to include a new Administrative Coordinator who is responsible for keeping all accounting and grant files organized. NORA currently solicits all required bids as stipulated in the City of New Orleans' contracts.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2007-05

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Criteria

Management of NORA is responsible for the implementation of a design and operation of internal control to safeguard and protect the assets of NORA.

Furthermore, NORA is responsible for the preparation of complete and accurate financial statements to include the required disclosures.

Condition

While NORA continues to expand its financial support team, it is imperative that the required policies and procedures developed be fully implemented to ensure the adequate protection and safeguarding of NORA's assets. This condition should be achieved through adequate segregation of custodial and recordation functions as well as the appropriate level of supervisory oversight of the accounting and financial reporting processes. In November 2007, NORA hired a full-time accountant and in recent months an administrative assistant for the finance section.

Questioned Costs

None.

Context

The federal award for the Community Development Activities Program was \$1,199,644 for the year ended December 31, 2007.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2007-05

Effect or Potential Effect

Inadequate protection and safeguarding of NORA's assets.

Cause

Transitional phase of the finance department of NORA.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to build-up its human resources greater emphasis should be placed on its accounting and financial reporting processes.

Management's Response

During 2007, NORA expanded its management team to include a Director of Finance and Administration for half the year as well as a full-time senior level accountant for the last month of the year. The policies, procedures and dereliction of duties are currently under review to ensure that there is a healthy system of checks and balances as well as adequate protection and safeguarding of NORA's assets. NORA's management anticipates completion of the review no later than August 31, 2008.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Number

2006-01

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Condition

Considering the size of **NORA**, the important elements of internal control and segregation of duties cannot always be achieved to ensure adequate protection and safeguarding of **NORA's** assets.

It is our understanding through discussion with management that **NORA** plans to expand its overall organizational structure.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas.

Current Status

Partially resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2006-02

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Condition

Our review of **NORA's** internal control over financial reporting revealed the following conditions:

- Acquisition, administrative and tax sale acquisition funds collected during the month of August 2006 (August 4th through August 25th) totaling \$127,748, were not deposited until August 31, 2006. Also, included in the August 31, 2006 deposit was an acquisition fee check for \$7,000 received on June 16, 2006;
- Untimely preparation of account analysis to include the necessary reconciliation of significant subsidiary general ledger accounts to their related general ledger control accounts; such as acquisition payable, sales, inventory, and deferred revenues to include resolution of any unreconciled differences between the subsidiary and general ledger accounts;
- Bank account reconciliations for all programs managed by **NORA** for the month of December 2006 lacked evidence of supervisory review beyond the preparer. However, we noted that those for August 2006, had evidence of supervisory review;

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number , Continued

2006-02

Condition, Continued

- We noted during our review of NORA's general ledger, the preparation and recordation of significant journal entries by NORA's in-house accountant. Those journal entries prepared and posted were not subject to any supervisory review and approval to ensure propriety as well as minimize the potential for misappropriation of assets;
- We were unable to ascertain the detail composition of the acquisition/appraisal payable account in the amount of \$92,059 at December 31, 2006; and
- Also, included in the "NHIF" program is an amount for \$11,136 described as "miscellaneous". We were unable to ascertain the basis for the charges. Most of the charges were made using a debit card and drafts. In addition, we noted the "zero-out" of deferred revenues of approximately \$24,000, for the State of Louisiana grant (Hoffman) without the recognition of income in the current year. .

Recommendation

Management should consider as a part of its planned expansion of its accounting department personnel, a reevaluation of its current internal control processes over financial reporting in an effort to ensure its ability to safeguard and protect the assets of NORA.

In addition, management should develop a policy for the use of debits and drafts in the liquidation of its obligations.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2006-02

Current Status

Partially resolved. See current year's section of our report on other matters related to internal control.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2006-03

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Condition

Based on our review of the monthly blighted properties activities report for August 2006, we noted the following:

Because NORA's last filed blighted properties monthly activities report for 2005 was for the month of August 2005, (Hurricane Katrina impacted New Orleans on August 29, 2005) we attempted to reconcile the ending reported data to the beginning data for January 2006, noting differences. It is our understanding through discussion with management that the differences between the ending and beginning balances is the result of a "corruption" of the main database for blighted properties activities reporting.

Furthermore, we noted the following differences between the monthly report provided to us and the related supporting documents:

<u>Category</u>	<u>Per Monthly Report</u>	<u>Supporting Data</u>	<u>Difference</u>
1. Properties available			
for purchase	913	914	1
2. Cases in progress	855	735	120
3. Work in progress	45	46	1
4. Appraisals requested	5	4	1
5. Vacant lots	620	611	9
6. Properties expropriated	23	24	1

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2006-03

Condition, Continued

Also, we noted that NORA requested and obtained from the City of New Orleans an approval to submit one report for the entire 2006 period in lieu of the monthly reports pursuant to the executed grant agreement.

Recommendation

We recommend the establishment of a procedure to ensure the timely preparation and submission of all required reports. In addition, the current software utilized to accumulate data should be assessed as part of NORA's overall disaster recovery plan.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2006-04

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Condition

Historically, NORA has submitted its audited financial statements in a timely manner. The audit report for NORA was submitted within forty-five days passed the June 30, 2007 statutory due date.

Recommendation

None.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2006-05

Federal Program

Community Development Activities Program (see Schedule of Expenditures of Federal Awards).

Condition

Our review of the August and December 2006 cost reports submitted to the City of New Orleans revealed the following differences between the general ledger and the cost report submitted.

		<u>December 2006</u>		
		Balance	Balance	
		Per General	Per Cost	
		Control		
<u>Line Item</u>	<u>Ledger</u>	<u>Statement</u>	<u>Difference</u>	
			<u>Over (Under)</u>	
1200	Retirement	\$ 57,523	\$ 65,111.30	\$ (7,588.30)
1200	Social Security	715	0.00	715.00
2110	Insurance	12,011	27,373.43	(15,362.43)
2150	Legal fees	28,135	117,795.00	(89,660.00)
3250	Office supplies	31,746	3,819.75	27,926.25
4101	Land acquisition	161,039	91,095.00	69,944.00

		<u>August 2006</u>		
		Balance	Balance	
		Per General	Per Cost	
		Control		
<u>Line Item</u>	<u>Ledger</u>	<u>Statement</u>	<u>Difference</u>	
			<u>Over (Under)</u>	
2150	Legal fees	\$ 12,100	\$ 13,035	\$ (935)
4101	Land acquisitions	96,359	91,095	5,264

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2006-05

Condition

Also, due to the delay in the execution of a grant agreement with the City of New Orleans, the cost reports were not submitted until the execution of an agreement with the City of New Orleans.

Recommendation

Management should reevaluate its monthly processing procedures to ensure that all transactions are properly charged to the appropriate general ledger account. Such a procedure will facilitate the accurate submission of financial information to NORA's funding source.

Also, NORA should explore the need to reissue cost control statements to align to its general ledger by cost category.

Current Status

Partially resolved. As it relates to resolution of the 2006 cost report, the City of New Orleans decided that a revised report was not necessary due to the timing of the revision in 2007. To that extent the report revision condition is resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Years' Findings and Questioned Costs

Reference Number

2005-01

Condition

NORA filed its program reports with the City of New Orleans during 2005 for the months from January 2005 through June 2005. As a part of our testing for compliance with the established criteria previously described, we noted the following:

- The number reported to reflect the number of blighted properties applications received for the month of April 2005 (month tested) was 18. Our review of supporting documentation, provided to us by NORA, revealed 10 as the correct number of applications received; and
- No program reports were filed for the months subsequent to June 2005.

The City of New Orleans was impacted by Hurricane Katrina on August 29, 2005, resulting in the temporary displacement of its population.

Recommendation

We recommend that management seek a waiver from the City of New Orleans in regards to the attainment of the established goals and/or required monthly reporting for the months of September through December 2005.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2007

Section IV - Status of Prior Years' Findings and Questioned Costs, Continued

Reference Number

98-3 and 97-1

Condition

NORA currently maintains a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because NORA is on a cost reimbursement basis with its only funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis nor are interfund activities reconciled on a monthly basis.

Current Status

Partially resolved. See report on other matters section of the independent auditors' report on other matters related to internal control.

NEW ORLEANS REDEVELOPMENT AUTHORITY

EXIT CONFERENCE

An exit conference was held with a representative of **NORA**. The contents of this report were discussed and management indicated their concurrence in all material respects. The following were in attendance:

NEW ORLEANS REDEVELOPMENT AUTHORITY

Joseph Williams	--	Executive Director
Sheri LaBranche-Jackson, MBA	--	Director of Finance and Administration
Keshia Lymel, MBA	--	Senior Accountant
Natasha Muse	--	Director of Administrative Support

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Paul K. Andoh, Sr., CPA, MBA, CGFM	--	Partner
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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcida J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

Mr. Joseph Williams, Executive Director
New Orleans Redevelopment Authority
New Orleans, Louisiana

In planning and performing our audit of the financial statements of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2007, we considered **NORA's** internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of **NORA's** internal control. Accordingly, we do not express an opinion on the effectiveness on **NORA's** internal control.

However, during the course of our audit, we became aware of matters that are opportunities for strengthening internal control and operating efficiency. Also, we reviewed the status of prior year's other matters. We previously reported on **NORA's** internal control in our report dated June 27, 2008. This letter does not affect our report dated June 27, 2008 on the financial statements of **NORA**.

We will review the status of these matters during our next audit engagement. We have already discussed these matters with **NORA's** management, and will be pleased to discuss these matters in further detail at your convenience and to perform any additional study of these matters.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters
2007

The following is our current year's other matters:

Condition

Our review of the internal control over financial reporting revealed the following conditions:

- o The revolving fund bank account reconciliation for August 2007 prepared by NORA's previous fee accountant, had an incorrect check dated for September 5, 2007, instead of August 31, 2007 the date of the bank draft;
- o Two (2) bank accounts one each for the Shelter Plus and Moderate Rehabilitation Programs (closed programs) have not been formally closed;
- o Lack of specific evidence to support review and approval of all journal entries at levels above the preparer. It is our understanding that as a part of the monthly financial statements preparation process, all transactions are reviewed through the Quick Books Pro Software System by the Director of Finance and Administration.
- o No established dollar threshold for authorized check signers;
- o No performance of verification of mathematical accuracy of paid invoices in seven (7) of twenty (22) transactions tested;
- o Two (2) of twenty-two (22) transactions reviewed, did not agree to the supporting documents as a result of handwritten changes; and
- o In five (5) instances (for which payments were made via bank drafts) of forty-one (41) transactions reviewed, we noted no report and/or approval for the expenses. Furthermore, the required supporting documentations were not available for our review.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters, Continued
2007

Recommendation

We recommend that management revisit with its current internal control processes over financial reporting to ensure its adequacy in the safeguarding and control of the assets of NORA.

Management's Response

NORA's Board of Commissioners has approved for an external CPA to review quarterly, NORA's internal controls, policies and procedures, and financial statements in order to ensure compliance and the safeguarding of NORA's assets. Management anticipates resolution by no later than October 31, 2008.

Condition

No monthly reconciliation was performed on certain significant general ledger accounts such as prepaid acquisition, unimproved land inventory, interfund activity, etc. Also, no reconciliation was performed between the cash receipts log maintained in the Program department to the bank reconciliation, revenue subledger and general ledger control account. It is our understanding that a new accountant was hired in November 2007, to replace the previous fee accountant.

Recommendation

All significant general ledger accounts to include the cash receipts logs should be reconciled on a monthly basis.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matters, Continued
2007

Management's Response

The demands of the agency revealed the need for a full-time senior level accountant in lieu of a part-time fee accountant. Policies and procedures for the Finance Department have been revisited and updated to include the monthly reconciliation of the general ledger accounts. The new policies and procedures will be presented to the Finance Committee for recommendation of approval to the Board of Commissioners. The anticipated resolution is expected no later than September 30, 2008.

Condition

No established policy and/or procedure regarding compliance with the State of Louisiana's escheat law.

Recommendation

We recommend the development and implementation of a policy to address the requirements of the escheat law of the State of Louisiana.

Management's Response

The policy and/or procedure regarding the compliance with the State of Louisiana's Escheat Law will be reviewed and incorporated in the Finance Department's Policies and Procedures. In addition, going forward, NORA will order checks that define a definite frame of time to VOID a check after issuance. NORA's management anticipates a resolution no later than September 30, 2008.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters, Continued
2007

Condition

In three (3) of eight (8) transactions reviewed, we noted the untimely deposit of cash collected.

It is our understanding through discussions with management, that the condition was the result of a mis-communication between staff in the Finance and Program departments.

Recommendation

We recommend that all cash collections should be deposited on a timely basis (within three days of collection).

Management's Response

With the expansion of the Finance Department, it is now the responsibility of the Administrative Coordinator to ensure all deposits are made promptly. In 2007, the Administrative Coordinator position was involved in both the Finance and Programmatic sides of NORA. In addition, the Finance Department is scheduling a training of all NORA staff to ensure that all NORA's staff understands the compliance issues associated with proper documentation and timely submittals. NORA's management anticipates a resolution no later than September 30, 2008.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters, Continued
2007

Condition

Currently, NORA does not have a formal written policy to address its custodial credit risk that results from deposits of funds held by others on its behalf in excess of \$100,000 (Federal Deposit Insurance Corporation limit). However, NORA maintains a collateral agreement with its banker and reviews its adequacy on a periodic basis.

Recommendation

We recommend the establishment of a deposit policy to address all deposits of funds with NORA's banker for funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

Also, the periodic review of the adequacy of collateral maintained should be evidence by the reviewers initial.

Management's Response

NORA has an agreement with its banking institution where the bank collateralizes NORA's funds in excess of FDIC's \$100,000 limit. As NORA is finalizing its policies and procedures for the Finance Department, this area will be reviewed as well. Management anticipates finalization of the review no later than September 30, 2008.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

*Status of Prior Year's Other Matters
2006 and Prior*

The following summaries the status of prior year's other matters:

Condition

Our testing of seventeen (17) transactions revealed the following conditions:

- No evidence to support verification of the mathematical accuracy of invoices paid;
- Invoices provided were not stamped "paid" as required by NORA's contract with the City of New Orleans;
- Inadequate documentation to evidence compliance with procurement requirements in accordance with NORA's contract with the City of New Orleans; and
- The Blighted Properties Program bank account reconciliations for December 2006 listed an item dated November 30, 2005 for \$4,502.24 that remains outstanding at December 31, 2006.

Recommendation

We recommend that management evaluate its existing practices to ensure compliance with both Board and its regulatory agency's requirements pursuant to the executed contract agreement.

Current Status

Partially resolved. Management anticipates resolution by no later than September 30, 2008.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2006 and Prior

Condition

A listing of authorized check signers on NORA's bank accounts provided to us by NORA's banker, included the names of a former Commissioner and director.

Recommendation

We recommend that NORA updates the listing of authorized check signers with its bankers.

Current Status

Resolved.

Condition

Our review of Internal Revenue Service (IRS) form 941 (Employer's Quarterly Federal Tax Return), State of Louisiana Employer's Quarterly Wage and Tax report, and IRS form W-3 (Transmittal of Wage and Tax Statements) revealed the following conditions:

The filed W-3 for 2006 reflected taxable wages of \$302,906.99 without consideration of the deferred amount of wages earned by employees during 2006. Also, the medicare wages reflected on the form W-3 was \$302,061.39 versus total wages of \$302,906.99 for the 2006 tax year.

In addition, the State wages filed for the quarter ended September 30, 2006, (Employer's Quarterly Wage and Tax Report) had total wages of \$41,523 to \$41,526 on the IRS form 941.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2006 and Prior

Recommendation

We recommend that management undertake the necessary review and submit corrected forms and/or reports, as applicable.

Management's Response

Resolved.

Condition

The prepaid acquisition cost subsidiary ledger prepared to support the general ledger amount of \$167,511.47 (detail of all property acquisition deposits by prospective buyers), reflects individual buyer balances contrary to the account's normal balance.

Recommendation

All individual buyer balances for closed cases should be reviewed and the necessary corrections made to the schedule to include collection from buyers and/or refund to buyers, as applicable.

Current Status

Unresolved. See current year's section of this report.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2006 and Prior

Condition

NORA has for several years through its current period maintained a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because NORA is on a cost reimbursement basis with its only major funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis.

Recommendation

We recommend that management continue the review and netting of interfund activities' process to the extent that it is practical to minimize the work effort related to the number of interprogram and intergovernment balances on NORA's general ledger.

Current Status

Partially resolved. NORA continues to review and where possible, net related interfund activities.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2006 and Prior

Condition

Currently, **NORA** does not have a formal written policy to address its custodial risk that results from deposits of funds held by others on its behalf in excess of \$100,000 (Federal Deposit Insurance Corporation limit). However, **NORA** maintains a collateral agreement with other institutions and reviews its adequacy on a periodic basis.

Recommendation

We recommend the establishment of a deposit policy to address all deposits of funds with others in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

Current Status

Unresolved. See current year's section of this report

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued
2006 and Prior

Condition

Considering the size of NORA, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of NORA's assets.

Recommendation

Management and the Board of Commissioners should continue to provide the level of oversight necessary in all key internal control areas.

Current Status

Unresolved. In May of 2007, NORA hired a Director for Finance (new position). Also, in November of 2007, NORA hired a permanent full-time accountant.

Condition

The operation of NORA's internal control over financial reporting exhibited the following conditions:

- Untimely preparation of reconciliations of all significant subsidiary ledgers to their related general ledger control accounts; such as acquisition payable, payroll costs, sales and inventory, etc.; to include resolution of any unreconciled differences between the subsidiary ledgers and the general ledger control accounts.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

*Status of Prior Year's Other Matters, Continued
2006 and Prior*

Condition, Continued

- Untimely preparation and submission of monthly financial statements to management and the Board of Commissioners; and
- Untimely reconciliation of all cash receipts specifically for the "REALM" program (mostly application fees, acquisition costs, etc.) to the pre-numbered receipts issued, validated bank deposit slips and general ledger.

It is our understanding through discussion with management that the impact of Hurricane Katrina to include NORA's staffing levels contributed to some of the previously described conditions.

Recommendation

We recommend that management evaluate the conditions previously described with an aim towards ensuring the following:

- The timely and accurate reconciliation of all significant subsidiary ledger accounts to their related general ledger control accounts. This should include the timely resolution of unreconciled differences;
- Reconcile on a monthly basis all cash collections from the cash receipts log, pre-numbered receipts to the validated deposit slips and the general ledger. Also, all cash collection should be deposited on a timely basis; and
- Timely preparation and submission of financial statements to include budgeted to actual variance reports to management and the Board.

Current Status

Partially resolved. Management anticipates resolution by no later than September 30, 2008.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

NORA's response to the other matters identified in our audit is described in the accompanying report under the caption "Management's Response" and "Current Status". We did not audit NORA's response and, accordingly, we express no opinion on it.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of Board of Commissioners, management, the City of New Orleans, Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised State 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 27, 2008